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SUBJECT: Oct. 9 Media Report

Lead Story

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¶1. Chile ranked fourth on the World Economic Forum financial stability index for 2009. The report included 55 countries, where the UK ranked first (Conservative, influential El Mercurio, 10/9).

Salitre Exercise

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¶2. Chile changed the hypothetical background of the "Salitre" exercise at the suggestion of the United States. In a Chile-Peru meeting of intelligence Air Force officers on Wednesday, Chilean officials discussed with their Peruvian counterparts the scenario of the exercise. They did not state it as a change, though. But a few hours later Peruvian Foreign Minister Garcia-Belaunde announced in Lima that Chile had "changed" the scenario of the exercise. The government first denied any change, but on Thursday Chilean Defense Minister said, "The exercise, in its planning, is fundamentally the same. The only thing that the Air Force has done is make a small technical adjustment for the purpose, once more, to show Chile's goodwill." The original scenario involved an allied force versus a "northern country," but now involves a peace force neutralizing a rebel African leader.

Although the issue became public on Wednesday, the change actually occurred almost two weeks ago when the U.S. government sent Chile the message that it was interested in "specifying" the hypothetical scenario of the military exercise. The reason is that Peru had complained to Washington that the exercise was "offensive." After the United States sent Chile the message, Santiago notified the other participants of the adjustment in the scenario. Yesterday Foreign Minister Fernandez said that the Defense Ministry had the lead on the matter, but Vidal said that the change had been made "with the government's authorization" (El Mercurio, 10/9).

¶3. Chilean Defense Minister Francisco Vidal announced that the Chilean Air Force had made a "technical" adjustment of the "Salitre" exercise. The Chilean Foreign Ministry and Peru's Defense

Ministry believe the controversy on this matter has ended. In fact, diplomatic sources in Lima said Peru is considering now sending its Ambassador to the exercise. The incident exposed lack of coordination among the Air Force and the defense and foreign relations ministries in Chile (Conservative, independent, La Tercera, 10/9).

¶4. Chilean senators view the change in the script of the exercise "prudent," although they question the inability of the Chilean authorities to take into account the sensitivities of neighboring countries in the designing of the exercise. They add that any change can be perceived as yielding to pressure from Peru. "Lima cannot and should not be giving Chile directions, least of all on military activities," said Senator Victor Perez (Conserative, afternoon La Segunda, 10/8).

¶5. "We have made this adjustment so that there is not even a minor suspicion. The government hopes that with this change... it is finally understood that the exercise is a peace operation based on a hypothetical United Nations mandate," said Defense Minister Francisco Vidal (Government-owned, La Nacion, 10/9).

#### U.S.-Related News

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¶6. 2008 Nobel Price award winner for economics Paul Krugman will be in Santiago at the end of the month to speak on the recent global crisis and "the new economy" (Independent on-line El Mostrador, 10/9).

¶7. According to "Higher Education Magazine" ranking, the 20 best universities worldwide are either in the United States or the UK. Harvard University ranked first, followed by Cambridge University (UK), and Yale. In the area of engineering and technology, the top three are MIT, University of California-Berkeley, and Stanford University. The Catholic University of Chile ranked 277 (La Tercera, 10/9).

#### Indigenous Affairs

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¶8. Minister Secretary General to the Presidency and Indigenous Affairs Coordinator Jose Antonio Viera Gallo said the government would buy the land necessary to fulfill the demands of 115 indigenous Mapuche communities. Viera Gallo said that since 1999, the government has transferred 650,000 hectares to Mapuche communities and that by the end of the year it will have transferred another 33,000. This means that every family will have an average of 12.7 hectares. Viera Gallo also spoke about the new "Land Bank," which will both buy and transfer land for indigenous communities. He said this will avoid price speculation and will free the indigenous communities from having to negotiate directly with private land owners (La Nacion, 10/9).

#### Honduras

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¶9. The OAS delegation in Honduras concluded its visit and set the terms for future negotiations: Assurance for direct negotiations between de facto government and Zelaya delegates, the restoration of constitutional rights, Zelaya's direct access to his delegate. Zelaya's representative said October 15 was the deadline to resolve the crisis. The United States refused to label the talks a failure stating that the parties involved had begun a "direct dialogue" under the direction of the international community (La

Tercera, 10/9).

SIMONS